

Onward Technologies Limited

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

I. Introduction:

As per the requirements of Sec 188 of the Companies Act, 2013 (“Act”) read with the Companies (Meetings of Board & its Powers), Rules 2014 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘Listing Regulations’) the Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Also, Regulation 23 (1) of the Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions (the ‘Policy’).

II. Purpose

The objective of this policy is to determine materiality of Related Party Transactions (hereinafter referred as ‘RPT’) ensure proper approval, disclosure and reporting of such transactions as applicable under the law/regulations, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

III. Applicability:

This Policy will be applicable to the Company with respect to all Related Party Transactions covered within the scope of Section 188 of the Act and Listing Regulations.

The provisions of the Listing Regulations shall be applicable to all prospective transactions. Existing contracts entered into by the Company (after making necessary compliances under section 297 of the Companies Act, 1956 and Listing Agreement) which already came into effect before the commencement of Section 188 of the Companies Act, 2013 or the Listing Regulations, will not require fresh approval under the said section 188 or the Listing Regulations (from the board or members, as the case may be) till the expiry of the original term of such contracts. However, if any modification in such contract is made on or after the date of commencement of above section 188 or Listing Regulations, the requirements under those provisions will have to be complied with.

This Policy shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as Regulation 23 of the Listing Regulations or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

IV. Definitions:

1. **“Audit Committee”** means Committee of Board of Directors of the Company constituted under provisions of Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.
2. **“Board of Directors”** or Board in relation to a Company means the collective body of the directors of the Company.
3. A **“transaction”** with a related party shall be construed to include single transaction or a group of transactions in a contract.
4. **“Arm’s length transaction (‘ALP’)**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
5. **“Associate Company”**, “associate” shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards (AS 18) as defined below:

"associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation.—For the purpose of this clause,—

(a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

6. **“Related Party”** with reference to a company, shall have the meaning as defined in Section 2(76) of the Companies Act, 2013; or an entity that is a related party under the applicable accounting standards.
7. **“Related Party Transaction”** related party transaction shall have meaning as defined in regulation 2(zc) of SEBI (LODR) Regulations, 2015 or transaction as applicable under accounting standards.
8. **“Relatives”** with reference to any person shall have the meaning as defined in Section 2(77) of the Companies Act, 2013 read with Clause 4 of The Companies (Specification of definition details) Rules, 2014 and Regulation 2(zd) as per SEBI (LODR) Regulation, 2015.

9. **“Material Related Party Transactions”** A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

V. Procedure:

All Related Party Transactions shall be reported to the Audit Committee for its prior approval in accordance with this Policy.

The Audit Committee may periodically review this Policy and may recommend amendments/modifications/additions/deletions to this Policy to the Board from time to time as it deems appropriate.

(V.i.) Identification of potential related party transactions:

Each Director and Key Managerial Personnel is responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of Interest; and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Compliance Officer (or any other person authorized in this regards) shall at all times maintain a database of Company’s Related Parties , identified on the basis of the definition set forth in the Key Definition section above, along with their personal/company /entity details including any revisions therein.

(V.ii.) Review and Approval of Related Party Transactions:

(a) Prior approval of the Audit Committee:

All Related Party Transactions of the Company, as prescribed under the Act and Regulation 23 of the Listing Regulations, shall require prior approval of Audit Committee as per their

respective legislations / regulations, whether at a meeting or by resolution by circulation. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company, subject to the conditions set forth in Regulation 23 (3) of the Listing Regulations are complied with. The Criteria for granting omnibus approval is provided under **Annexure I** of this Policy. The Audit Committee shall satisfy itself that the criteria as provided under the policy are complied before any omnibus approval granted.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (1) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (2) Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (3) Whether the Related Party Transaction would affect the independence of the directors/KMP;
- (4) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (5) Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- (6) Whether the Related Party transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Officers or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board and the Board may consider and approve the Related Party Transaction.

All the related party transactions which are not in the Ordinary Course of Business and are not at Arms' Length Basis, shall require prior approval of the Board of Directors of the Company. And if such transactions exceed the limits as specified under section 188 of the Act, shall also require the approval of the shareholders through a resolution and the Related Parties shall abstain from voting on such resolution, except in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved

However, the above shall not be applicable to transactions between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

VI. Material Related Party Transaction

A transaction with a related party shall be considered 'material' if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under Rule 15 of the Companies (Meetings of Board and its Power) Rules, 2014 and as defined under the definition 9 of the policy..

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

(Vi.i.) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

(Vi.ii.) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

VII. Related party transactions not approved under this policy:

In the event the Company becomes aware of a Related Party Transaction with a related party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the

failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Board or Shareholders, as the case may be, payment of compensation for the loss suffered by the related party etc. Further, such Related Party Transaction which is commenced without obtaining prior approvals shall be ratified by the Board or Shareholders, as the case may be, within a period of three months from the date on which the transaction was entered, or else such transaction shall be voidable at the option of the Board or shareholders as the case may be. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

VIII. Disclosure of Related Party Transaction Policy:

This policy shall be uploaded on the website of the Company at www.onwardgroup.com and a weblink thereto shall be provided in the Annual Report of the Company.

IX. Review of the Policy:

The Board and the Committee will review this Policy on a regular basis to ensure its effectiveness and also compliance with the provisions of Companies Act, 2013 as well as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and accounting principles as well.

ANNEXURE I:

Criteria for granting Omnibus Approval for RPT:

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

- (a) The audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity AND such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) The audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) The omnibus approval shall specify:

1. Name of the related parties;
2. Nature and duration of the transaction;
3. Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
4. The maximum value per transaction which can be allowed;
5. the indicative base price / current contracted price and the formula for variation in the price if any; and
6. Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
7. Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
8. Transactions which cannot be subject to the omnibus approval by the Audit Committee.

(d) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

1. Repetitiveness of the transactions (in past or in future);
2. Justification for the need of omnibus approval.

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(e) The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

(f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.